

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-__-E

In the Matter of:

Petition for Approval of Green Source
Advantage Programs and Riders GSA

) **JOINT APPLICATION OF DUKE**
) **ENERGY CAROLINAS, LLC AND DUKE**
) **ENERGY PROGRESS, LLC TO**
) **ESTABLISH GREEN SOURCE**
) **ADVANTAGE PROGRAMS AND RIDERS**
) **GSA**

I. INTRODUCTION

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (collectively, the “Companies”) hereby make this Application to the Public Service Commission of South Carolina (the “Commission”) pursuant to S.C. Code Ann. § 58-27-820, S.C. Code Ann. Regs. 103-823, and other applicable rules and regulations of the Commission, requesting approval to each implement a Green Source Advantage Program (“GSA Programs” or the “Programs”) and respective Rider GSA tariff (attached hereto as Attachments A (DEC) and B (DEP)), which the Companies propose to make available to their South Carolina customers upon Commission approval of the Programs. The Programs serve the public interest and will enable the Companies, on behalf of participating eligible customers (“GSA Customers”), to procure new renewable energy facilities dedicated to the GSA Programs (“GSA Facilities”), and to facilitate these GSA Customers obtaining the renewable energy attributes and renewable energy certificates (“RECs”) associated with this new renewable energy generation to meet their sustainability goals. The participants are responsible for negotiating all price terms with a supplier of a renewable energy facility (“Renewable Supplier”) and the Companies will execute a GSA Purchased Power Agreement (“GSA PPA”) with any Renewable Supplier committing its GSA Facilities to the Program. Importantly, the Programs are also designed to meet the objective of holding non-participating customers neutral from any costs associated with the Companies’ procurement of additional renewable energy on behalf of GSA Customers voluntarily electing to participate in the Programs. In support of this Application, the Companies respectfully show the following:

1. DEP and DEC are engaged in the generation, transmission, distribution, and sale of electricity to the public for compensation. The Companies also sell electricity at wholesale to

municipal, cooperative and investor-owned electric utilities and such wholesale sales are subject to the jurisdiction of the Federal Energy Regulatory Commission. DEC and DEP are public utilities under the laws of South Carolina and are subject to the jurisdiction of the Commission with respect to their operations in this State. The Companies are also authorized to transact business in the State of North Carolina and are each a public utility under the laws of that State. Accordingly, their operations are also subject to the jurisdiction of the North Carolina Utilities Commission (“NCUC”).

2. The attorneys for the Companies, to whom all communications and pleadings should be addressed, are:

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II. OVERVIEW OF GSA PROGRAMS

3. Green tariffs are an “emerging option for eligible customers in traditional, regulated markets to buy both the energy from a renewable energy project and the associated RECs,” that cater to customers’ preferences for more direct, financial connection to renewable energy projects.¹ Since 2013, twenty-one (21) green tariffs in fifteen (15) states have been proposed or approved.²

4. The Companies have recently received significant interest from large commercial and industrial customers concerning green tariff programs, both as result of the natural business evolution in South Carolina and in response to renewable energy legislation enacted in North Carolina in 2017.³ The Companies have discussed the GSA Programs with large commercial and industrial customers and have incorporated the feedback received into the design of the GSA Programs.

5. The Companies, through this Application, request that the Commission allow the Companies to implement green source rider “direct procurement” programs for new renewable energy capacity for certain new and existing South Carolina nonresidential customers.

6. The Companies have designed the GSA Programs to allow DEC and DEP to procure renewable energy from GSA Facilities based upon pricing negotiated by participating

¹ Letha Tawyn, Priya Barua, & Celina Bonugli, WORLD RESOURCES INSTITUTE, *Emerging Green Tariffs in U.S. Regulated Electricity Markets*, at 2 (Updated Feb. 2018), available for download at <https://www.wri.org/publication/emerging-green-tariffs-us-regulated-electricity-markets>.

² *Id.*

³ See North Carolina Session Law 2017-192 (“HB 589”).

GSA Customers. The Company will ensure other customers are held financially neutral, neither financially advantaged nor disadvantaged from the utility's procurement of renewable energy on behalf of the GSA Customers

7. GSA Customers will receive the RECs generated by the respective renewable GSA Facility(ies) procured on its behalf. In this manner, the GSA Programs provide a cost-effective new renewable energy generation procurement, while allowing individual GSA Customers to direct and support the development of new renewable energy resources and to commit to purchase the associated RECs.

III. GSA PROGRAM DESIGN

A. GSA Program Availability and Customer Eligibility

8. As further described in Rider GSA, GSA Programs are available to South Carolina retail nonresidential customers receiving concurrent service from DEC or DEP (excluding service under outdoor lighting schedules) that voluntarily elect to contract for the RECs associated with new renewable energy generated by a GSA Facility(ies) and procured by the Companies under a GSA PPA. GSA Customers must also have a contract demand (i) equal to or greater than three (3) MW or (ii) contract demand at multiple services locations that, in aggregate, is equal to or greater than five (5) MW. GSA Customers must also be located in the same service territory as the GSA Facility(ies), which may be located in either South or North Carolina. The GSA Facilities will not directly serve the GSA Customers, but instead will be system supply resources used to serve all native load customers.

9. Enrollment in the new GSA Programs will also be limited to a total capacity of 113 MW in DEC and 37 MW in DEP. The GSA PPA maximum contract term will be 15 years.

B. GSA Customer Application and Enrollment Process

10. To enroll in Rider GSA, an GSA Customer must first submit an application form (“Customer Application”) along with a \$2,000 application fee through a GSA Program web platform on the Duke Energy website. Customer Applications will only be accepted during the Program Enrollment Period, which will begin upon Commission approval and remain open for a period of 18 months after Commission approval, or when the maximum available capacity is exhausted, whichever occurs first.

11. In their Customer Applications, GSA Customers may apply for DEC or DEP, as applicable, to procure renewable generation capacity at GSA Customer service locations(s) within the respective utility’s South Carolina service territory up to 125% of the GSA Customer’s aggregate Maximum Annual Peak Demand of the previous 12-month period prior to the date of application.

12. Upon receipt of a completed Customer Application and \$2,000 application fee, DEC or DEP will assign the GSA Facility’s renewable energy output to the GSA Customer on a “first-come, first-served” basis and provide the GSA Service Agreement (described below).

13. The GSA Service Agreement is a three-way agreement among DEC or DEP, as applicable, the GSA Customer and the Renewable Supplier, that will set forth the terms of the arrangement, including: (i) the GSA Facility from which the Companies will be procuring renewable energy on behalf of the GSA Customer; (ii) the GSA Bill Credit that the participating GSA Customer will receive on its bill; (iii) the GSA Product Charge that the GSA Customer will pay to DEC or DEP; (iv) assignment of payments among the Company, the GSA Customer and the Renewable Supplier; and (v) administrative charges required to participate in each GSA Program. More specifically, with respect to item (iv), the Renewable Supplier will assign its right to receive payment for the output of its GSA Facility under the PPA to the GSA Customer.

Furthermore, DEC or DEP, as applicable, will assign its right to receive the GSA Service Charge under the GSA Service Agreement to the Renewable Supplier. In this way, so long as the GSA Customer has not defaulted under the GSA Service Agreement, the Renewable Supplier receives its negotiated rate agreed to within the GSA Service Agreement and the GSA Customer receives the GSA Bill Credit (as defined hereafter). If the GSA Service Agreement is terminated, the Renewable Supplier receives only the avoided cost rate set forth in the GSA PPA, thereby ensuring that non-participating customers are held neutral.⁴

14. GSA Customers desiring to participate in a GSA Program must comply with the credit requirements set forth in the GSA Service Agreement.

15. Failure by the GSA Customer to execute the GSA Service Agreement within 90 calendar days of delivery by DEC or DEP will result in the termination of the Customer Application and the application fee will not be refunded.

C. Establishing the GSA Bill Credit

16. The methodology applied to calculate the billing credit that a GSA Customer will receive for participation in the Programs (“GSA Bill Credit”) will be set at the day-ahead real-time hourly rate as calculated by DEC or DEP, as applicable, based upon the methodology specified in the applicable tariff for the full duration of the GSA Service Agreement (“Hourly Rate”). This Hourly Rate will be the specified price due to be paid to the Renewable Supplier under the GSA PPA that the GSA Customer will receive as a Bill Credit pursuant to the assignment under the GSA Service Agreement. The Hourly Rate represents the cost avoided by the Company as a result of the purchase of capacity and energy from the Renewable Supplier and is defined in Rider GSA included in Attachment A (DEC) and Attachment B (DEP).

⁴ Payment assignments are illustrated in Figure 1 in paragraph 20.

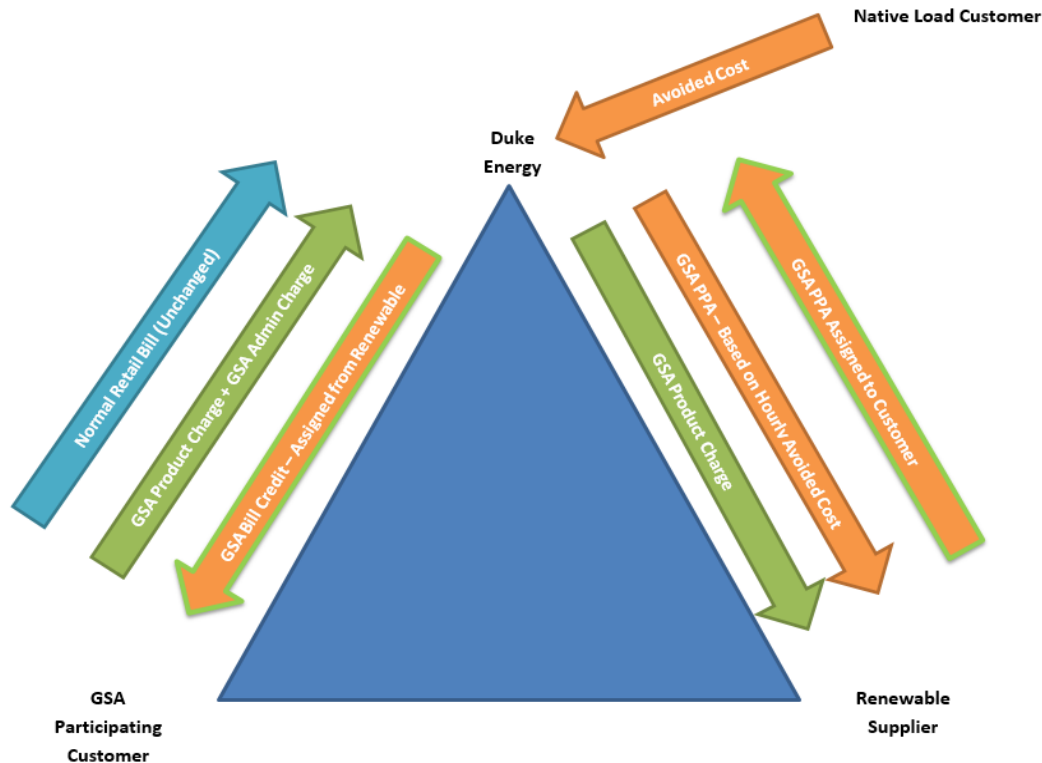
D. Rider GSA Rate Design

17. In addition to the GSA Customer's normal retail bill for energy and demand charges, the total cost of any renewable energy procured by the Companies pursuant to the GSA Service Agreement, in excess of the Hourly Rate, will be paid for by the GSA Customer along with all administrative costs as described further below.

E. Billing and Administrative Charges

18. The Companies will continue to bill participating GSA Customers taking service on Rider GSA in accordance with the applicable rate schedule for their account(s). In other words, a participating GSA Customer will still pay the energy and demand charges associated with the full requirements of its energy load under its applicable primary rate schedule. Because Rider GSA has been designed as a companion tariff to an applicable primary rate schedule, a participating GSA Customer's monthly billing statement will look much as it does today, retaining its existing rate tariff associated with billing for energy consumption at their premises, but it will also reflect the cost associated with contracted-for renewable energy delivered by a GSA Facility during the previous billing period ("GSA Product Charge"), net of the Rider GSA Bill Credit, and Rider GSA Administrative Charge.

Figure 1: Rider GSA Rate Design for Participating Customers and Assignment of Payments.



19. The Rider GSA Administrative Charge is an amount set forth in the Rider GSA. This monthly GSA Administrative Charge will recover all administrative costs to offer the GSA Programs, including billing, program management, and support costs.

F. GSA Facilities

20. The GSA Facilities will be system supply resources used to serve all native load customers in both South and North Carolina. As such, GSA Facilities must be connected where the Companies provide service within their respective South or North Carolina jurisdictions and deliver power to the same operating company as the GSA Customer's accounts designated on the Customer Application.

21. DEC or DEP, as applicable, will enter into a GSA PPA to purchase generation from the Renewable Supplier. The GSA PPA shall be priced using the Hourly Rate described

above. As discussed further below, the marginal energy and capacity rate based upon the Hourly Rate shall be recovered in the Companies' annual fuel adjustment proceedings.

G. Cost Recovery

24. The Companies have designed the GSA Programs such that all administrative costs and REC costs will be recovered from GSA Customers, while the avoided cost of the energy and capacity generated by GSA Facilities, calculated at the time of delivery, will be recovered from all native load customers. Because GSA Facilities will be system supply resources, the cost of the energy and capacity generated by GSA Facilities should be recoverable from all jurisdictions and customers. The cost of energy and capacity delivered by GSA Facilities will be the hourly avoided cost rate defined in the GSA PPA agreement. This avoided cost amount is also equal to the GSA Bill Credit as described in Section C. South Carolina's allocable share of the cost of the renewable capacity and energy purchased under the GSA Programs would be recovered as a part of the Companies' fuel rates pursuant to S.C. Code Ann. § 58-27-865(2)(c), as the Renewable Supplier would be a Qualifying Facility under the Public Utility Regulatory Policies Act of 1978, also known as PURPA.

25. The Companies' request set forth within this Application would not involve a change to any of DEP or DEC's retail rates or prices at this time or require any change in any Commission rule, regulation, or policy. Accordingly, neither notice to the public at-large, nor a hearing is required regarding this Application.

IV. REQUEST FOR APPROVAL

WHEREFORE, the Companies respectfully request that the Commission issue an order (1) approving the Companies' South Carolina GSA Programs; (2) approving DEC's and DEP's respective Rider GSA tariffs for South Carolina customers as reasonable and appropriate for

implementing the GSA Programs; (3) authorizing the Companies to recover the cost of each GSA Program's renewable capacity and energy delivered to the Company as part of PURPA purchased power costs included in its fuel rates pursuant to S.C. Code Ann. § 58-27-865(2)(c); (4) finding that the GSA Programs may be put into effect without notice or hearing pursuant to the provisions of S.C. Code Ann. § 58-27-870(F); and (5) granting such other and further relief as the Commission deems just and reasonable and in furtherance of the public interest.

Respectfully submitted, this the 10th day of October, 2018.



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